...BRARY
...COURT, U.S.

IN THE

# SUPREME COURT OF THE UNITED STATES

October Term, 1957

No. 261

UNITED MFG. & SERVICE CO.,
(Now by change of name
UNILECTRIC, INC.),

*Plaintiff-Petitioner,*

*vs.*

HOLWIN CORPORATION,

*Defendant-Respondent.*

## PETITION FOR CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

IRA MILTON JONES
JAMES R. CUSTIN
110 East Wisconsin Avenue,
Milwaukee 2, Wisconsin,
*Counsel for Petitioner*

HAMMERSMITH-KORTMEYER CO.
MILWAUKEE

# INDEX


| | Page |
|---|---|
| Opinions Below | 2 |
| Jurisdiction | 2 |
| Questions Presented | 3 |
| Statutes Involved | 4 |
| Statement of the Case | 4 |
| Reasons Why the Writ Should Be Granted | 8 |
| Argument | |
| I. The Decision of the Court of Appeals Raises an Important Question of Federal Law, Relating to Fraud Upon the Patent Office and Thus Charged with Considerations of Public Policy, Which Question Has Not Been But Should Be Decided by This Court | 9 |
| II. The Decision of the Court of Appeals on the Issue of Fraud in the Procurement of the Holloway Patent Calls for the Exercise of This Court's Supervisory Power | 13 |
| III. The Appellate Court Has Decided the Issue of File Wrapper Estoppel in a Way Which Conflicts with the Decisions of This Court and of Other Courts of Appeals | 16 |
| Conclusion | 22 |
| Opinion of the Court of Appeals for the Seventh Circuit | A-1 |

Page

AUTHORITIES CITED

Exhibit Supply Co. v. Ace Patents Co., 315 U.S. 126, 62 S. Ct. 513 ..... 18, 20

Goodyear Dental Vulcanite Co. v. Davis, 102 U.S. 222, 26 L. Ed. 149 ..... 17

Hartford-Empire Co. v. Shawkee Mfg. Co., 163 F. (2d) 474 ..... 10n

Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238, 64 S. Ct. 997 ..... 7n, 10n, 11n

Keystone Driller Co. v. General Excavator Co., 290 U.S. 240, 54 S. Ct. 146 ..... 12

Leggett v. Avery, 101 U.S. 256, 25 L. Ed. 865 ..... 17

Lewis v. Avco Mfg. Corp., 228 F. (2d) 919 ..... 20

Mercoid Corporation v. Mid-Continent Investment Co., 320 U.S. 661, 64 S. Ct. 268 ..... 12

Musher Foundation v. Alba Trading Co., 150 F. (2d) 885 ..... 21

Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806, 65 S. Ct. 993 ..... 9, 11

Restatement of Contracts ..... 10n

Schriber-Schroth Co. v. Cleveland Trust Co., 311 U.S. 211, 61 S. Ct. 235 ..... 20

Union Carbide & Carbon Co. v. Graver Tank & Mfg. Co., 196 F. (2d) 103 ..... 20

Veneer Mach. Co. v. Grand Rapids Chair Co., 227 Fed. 419 ..... 21

IN THE

# SUPREME COURT OF THE UNITED STATES

October Term, 1957

---

No.

---

UNITED MFG. & SERVICE CO.,
(Now by change of name
UNILECTRIC, INC.),

*Plaintiff-Petitioner,*

*vs.*

HOLWIN CORPORATION,

*Defendant-Respondent.*

---

## PETITION FOR CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

---

Petitioner United Mfg. & Service Co. (now by change of name Unilectric, Inc.), plaintiff and appellant in the courts below, prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit entered April 18, 1957. Rehearing was denied May 16, 1957.

## OPINIONS BELOW

The opinion of the United States District Court for the Northern District of Illinois, Eastern Division, is reported at 143 F. Supp. 492, 110 U.S.P.Q. 408. The opinion of the Court of Appeals for the Seventh Circuit is reported at 243 F. (2d) 393, 113 U.S.P.Q. 242. Opinions on interlocutory matters in this case are reported at 187 F. (2d) 902, 89 U.S.P.Q. 204 (reversing judgment of the District Court dismissing counterclaim) and 13 F.R.D. 510, 95 U.S.P.Q. 176 (denying plaintiff (petitioner here) the right to certain discovery proceedings).

## JURISDICTION

The judgment of the Court of Appeals sought to be reviewed was dated and entered April 18, 1957. A petition for rehearing was duly filed and was denied without opinion on May 16, 1957.

This Court has jurisdiction under 28 U.S.C. Secs. 1254(1) and 2101(c).

## QUESTIONS PRESENTED

1. Is a patent license voidable ab initio at the suit of a licensee who has discovered, after taking the license, that a perjured petition to advance prosecution of the licensed patent was filed in the Patent Office, which fraud possibly induced the allowance of the patent?

2. Is a patent license voidable ab initio at the suit of a licensee who has discovered, after taking the license, that the patentee falsely made oath to the application, well knowing that he was not the original and first inventor of the patented invention but had copied it in every detail from another?

3. Does the estoppel of a licensee under a patent to contest validity of the licensed patent go so far as to prohibit him from presenting evidence of fraudulent procurement of the patent, in support of a suit for avoidance of the license, if in the court's opinion such evidence has the incidental effect of showing that the patent is invalid?

4. Where a patentee, during the course of prosecution of his patent, cancels a claim squarely readable upon a licensee's structure, in response to a Patent Office rejection on prior art, and the patentee subsequently presents only claims which clearly, specifically and definitely distinguish in terms from the licensee's structure, is the patentee estopped to assert that the allowed claims of the patent read on the licensee's structure?

## STATUTES INVOLVED

No constitutional provisions, statutes or rules are involved in this case.

## STATEMENT OF THE CASE

This case involves a patent on a simple socket intended to be mounted in a domestic refrigerator for holding an electric light bulb by which the interior of the refrigerator is lighted when its door is opened.

On February 1, 1949, Patent No. 2,460,636, for an electric light socket for refrigerator panels, issued to C. M. Holloway, who thereafter assigned it to the respondent Holwin Corporation.

Each of the claims[1] of the patent specifically defines a resilient socket having one continuous flange extending around its body or housing and "a *plurality of shorter flanges* extending partially around the outside of said

---

[1]Respondent agreed during the trial that it would rely only on Claim 3 of the Holloway patent. That claim reads as follows (emphasis supplied):

"3. An electric light socket for refrigerator panels comprising an outer flexible housing having a hollow interior with a front opening adapted to receive an electric light bulb, means for connecting said socket to a suitable source of electrical supply, a continuous flange extending around the outside of said housing to form a non-circular shape, *a plurality of shorter flanges extending partially around the outside of said housing* and spaced slightly from said continuous flange on a corresponding line, said socket adapted to be installed without the use of tools in a single non-circular opening in a refrigerator panel corresponding in shape to the shape of said housing between said flanges, so that said flanges grip the edges of the opening and hold the edges in the space between said continuous flange and said *shorter* flanges, so that said socket may not be accidentally turned and said continuous flange contacts the face of the refrigerator panel around the entire circumference of the opening to provide a moisture proof seal around said opening."

housing and spaced slightly from said continuous flange on a corresponding line."

At the time the patent issued, petitioner had for several months been producing and selling a socket (Exhibit A, 51a[1]) which admittedly fell within the terms of the Holloway patent claims. Promptly after the patent issued, respondent charged petitioner with infringement. To settle the controversy and protect its customer, Seeger Refrigerator Co., petitioner took a license under the Holloway patent in June, 1949. (35a) The license was limited to sockets sold to Seeger and provided, inter alia, for the payment of a royalty of one cent per socket.

Thereafter petitioner designed a socket (known as the "contemporary" socket, Exhibit B, 16a) which both of the courts below have agreed is clearly outside the language of every claim of the Holloway patent. (84a-85a, A-7) The contemporary socket differs from the socket defined by the patent claims in that it has *two continuous* flanges extending around its body or housing, rather than *one* continuous flange and *a plurality of shorter flanges,* as specifically called for in every claim of the Holloway patent.

From and after September 16, 1949, petitioner made and sold only the contemporary socket, and, because each of the claims of the patent so definitely and explicitly demanded the short-flanged structure not present in the contemporary socket, petitioner notified respondent that no royalties would be paid on contemporary sockets.

Respondent retaliated by threats of infringement suits directed to petitioner's customer, Seeger Refrigerator Co., and Seeger's customer, Sears, Roebuck & Co. (17a-18a)

---

[1]Pages of petitioner's appendix in the Court of Appeals are designated by the suffix "a".

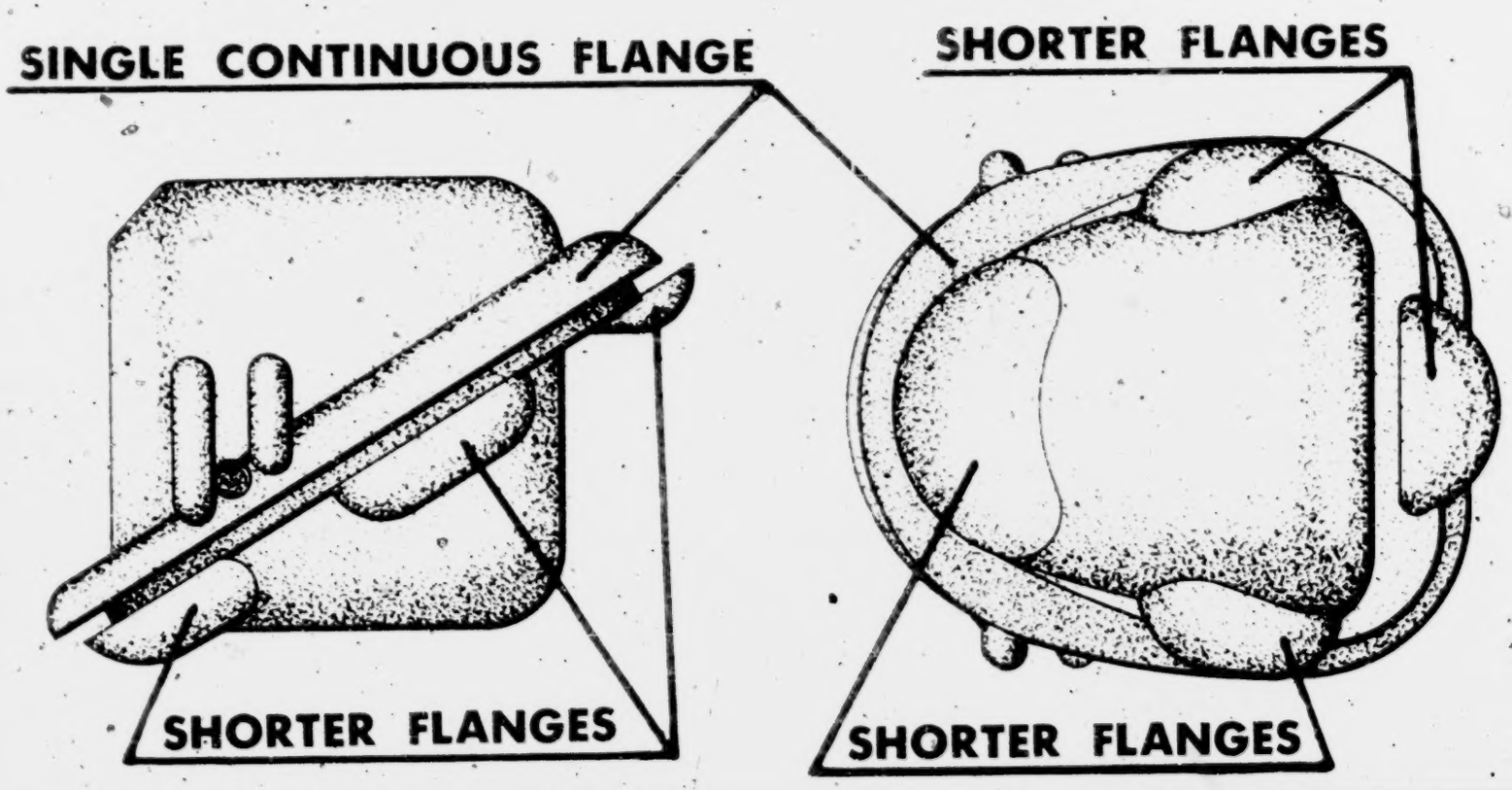
To protect its customers and prospective customers against these threats, petitioner filed suit for declaratory judgment in December, 1949, praying, inter alia, for judgment that its contemporary sockets are not subject to royalties under the license because they are outside the scope of the Holloway patent. (11a)

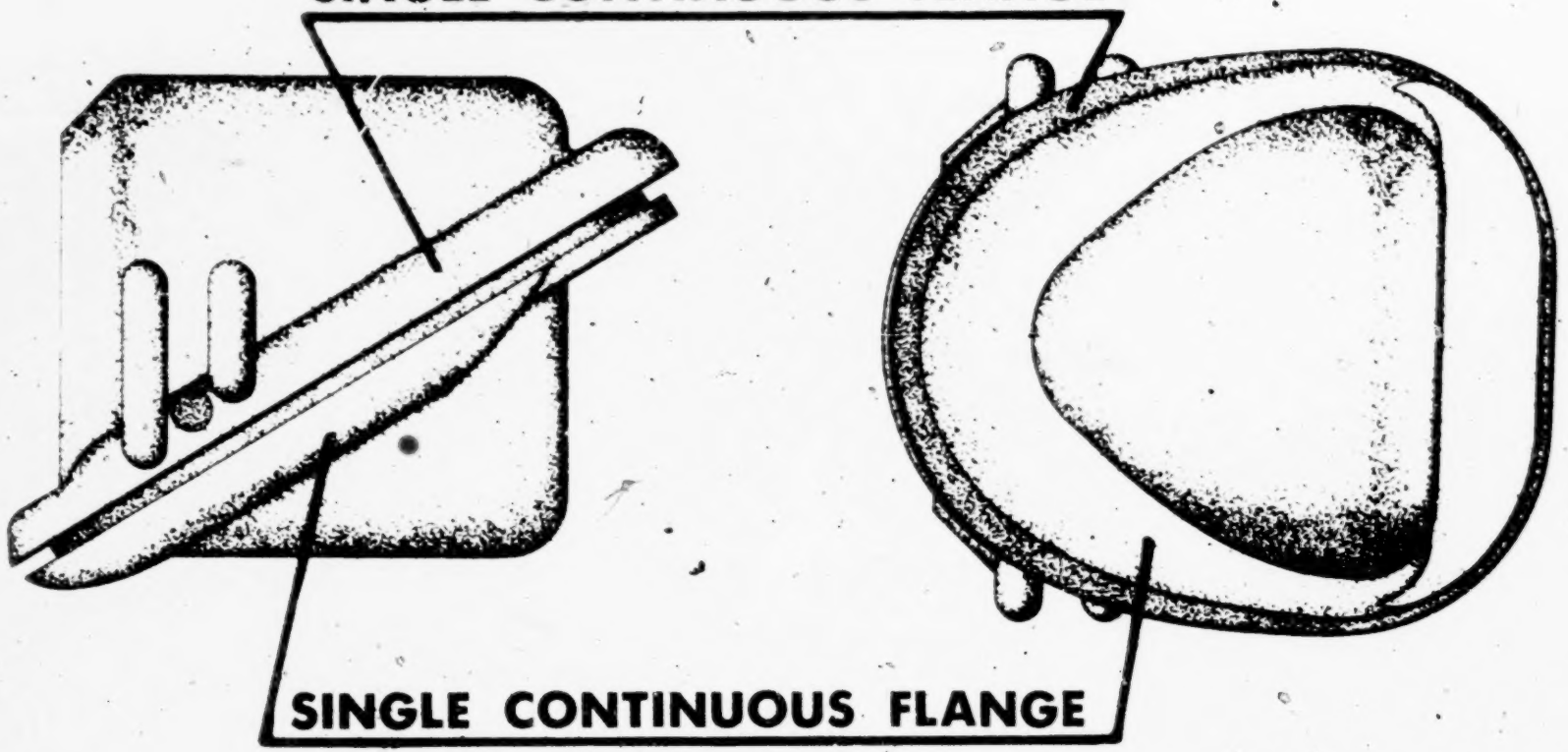
Before answer was joined, petitioner learned of facts indicating that the patentee of the Holloway patent had knowingly copied the socket thereof in detail from a design originating with Westinghouse Electric & Mfg. Corporation, and that the prosecution of the Holloway patent had been otherwise tainted with fraud. Petitioner therefore amended its complaint to plead fraud in the procurement of the patent and to pray that *the license agreement* be decreed "void ab initio" as having been procured through fraud. (20a) Diversity of citizenship and an amount in controversy of over $3,000.00, exclusive of costs and interest, were pleaded by petitioner as the basis for the District Court's jurisdiction. (3a; 28 U.S.C., Sec. 1332; also 28 U.S.C., Secs. 2201 and 2202.)

Respondent's answer (23a) denied the allegations of the complaint and counterclaimed for royalties under the license agreement. Upon petitioner's motion, the District Court dismissed the counterclaim on the theory that respondent had terminated the license agreement by sending charges of infringement to petitioner's customers. The Court of Appeals reversed, holding the license agreement still in effect (39a; 187 F. (2d) 902).

Petitioner thereafter sought by discovery proceedings to obtain evidence relating to its pleaded defense of "unclean hands" and fraud in the procurement of the license agreement. Respondent refused to disclose the information requested, and the District Court, after having

THE "EXHIBIT A" SOCKET, UPON WHICH ROYALTIES WERE PAID, HAD A SINGLE CONTINUOUS FLANGE AND "A PLURALITY OF SHORTER FLANGES", AS CALLED FOR IN THE PATENT CLAIMS.






**THE "CONTEMPORARY" SOCKET (EXHIBIT B), MANUFACTURED SINCE SEPTEMBER 16, 1949, HAS *TWO CONTINUOUS* FLANGES, BOTH EXTENDING COMPLETELY AROUND ITS BODY.**

originally ordered respondent to furnish the information, reversed itself and sustained respondent's objections, and assessed attorney's fees against petitioner. (48a, 13 F.R.D., 510, 95 U.S.P.Q. 176)

At the trial on the merits petitioner made an offer of proof (72a) showing that evidence was available to the effect that: (1) Holloway's oath to the patent application was fraudulent because he had knowingly copied the patented socket from a Westinghouse design; and (2) the prosecution of the Holloway patent was further tainted with fraud in the form of a perjured affidavit in support of a petition to advance prosecution of the application.

Petitioner also presented uncontradicted evidence showing that the claims of the patent in suit were restricted by prior art (61a-68a) and by file wrapper estoppel (55a-59a), and were therefore clearly not entitled to the application of the doctrine of equivalents, as would be necessary to force them to read on petitioner's contemporary socket.

The District Court, in its Findings of Fact and Conclusions of Law (82a, 143 F. Supp. 492, 110 U.S.P.Q. 408), made no reference to petitioner's pleaded cause of action to have the *license agreement* declared void ab initio, but said that: "Plaintiff also sought to have defendant's *patent* declared void ab initio" (82a, emphasis supplied), and that: "Plaintiff's assertions of fraud constitute an attempt to contest *the validity of the patent.*"[1]

---

[1]Petitioner has consistently acknowledged that as a licensee under the Holloway patent it is estopped to deny validity. Moreover, no amount of evidence of fraud can invalidate a patent, except in a suit brought for that purpose by the United States. The fraud renders the patent *unenforceable* against a licensee or an accused infringer. *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 251, 64 S. Ct. 997, 1003.

(86a, emphasis supplied) Holding that the contemporary socket is the equivalent of that claimed in the Holloway patent, and that "file wrapper estoppel does not apply in this case," the District Court awarded respondent all royalties on contemporary sockets from September 16, 1949 to date, with interest; referred the cause to a Master in Chancery "for accounting and determination of the damages suffered by defendant by reason of plaintiff's non-payment of royalties;" and ordered petitioner to pay royalties in the future during the life of the license agreement. (89a)

The Court of Appeals for the Seventh Circuit reversed only as to the last-mentioned mandatory injunction provision, implicity overruled the award of special damages, and in other respects affirmed the judgment of the District Court.

## REASONS WHY THE WRIT SHOULD BE GRANTED

1. The Court of Appeals has decided an important question of Federal law, relating to fraud upon the Patent Office and thus heavily charged with the public interest, which question has not been but should be decided by this Court.

2. The Court of Appeals has so far departed from the accepted and usual course of judicial proceedings as to call for an exercise of this Court's power of supervision.

3. The Court of Appeals has decided important questions of Federal law, relating to the doctrine of file wrapper estoppel, in a way which is in direct conflict with applicable decisions of this Court and other Federal Courts of Appeals.

## ARGUMENT

### I. The Decision of the Court of Appeals Raises an Important Question of Federal Law, Relating to Fraud Upon the Patent Office and thus Charged with Considerations of Public Policy, Which Question Has Not Been But Should Be Decided by This Court.

There has never been, to petitioner's knowledge, a clear-cut holding on the important question presented by the undisputed facts of this case. That question may be stated as follows:

> Where the prosecution of a patent is tainted with fraud, which fraud *may* not have had a direct and immediate bearing upon the allowance of the patent, but *could* have done so, does such fraud render the patent unenforceable under the doctrine of "unclean hands?"

The Court below has answered this question in the negative, insisting that a direct and proximate causal relationship between the fraud and the allowance of the patent must be apparent before a defense of "unclean hands" becomes available to a licensee (or, by implication, to an infringer).

This Court has indicated in *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 816, 65 S. Ct. 993, 998 (1945) that the answer should be in the affirmative because *any* taint of fraud in the prosecution of a patent is a matter which involves the highest considerations of public policy.

The facts of the Loughman fraud in this case, which must be regarded as uncontroverted, are as follows:

During the pendency of the application for the Hollo-

way patent, Holloway petitioned the Patent Office, under Rule 102 of the Rules of Practice in Patent Cases, to take up the application out of its normal order. (95a) This petition to "make special" was supported by an affidavit of S. R. Loughman, secretary-treasurer of the respondent Holwin Corporation, in which Loughman swore that respondent would not manufacture the socket shown in the Holloway application unless assured that a patent would be granted.[1] (95a-96a) Petitioner's offer of proof shows that at the time Loughman was executing this affidavit respondent was actually in volume production of such sockets, using two molds (one of 48 cavities and one of 54 cavities), both of which had been paid for by Westinghouse. (74a-75a)

The opinion of the Court of Appeals does not deny that the evidence referred to in petitioner's offer of proof, if proved, would establish that the Loughman affidavit was perjured. It concedes, at least tacitly, that upon the state of facts set forth in the offer of proof Loughman committed perjury.[2]

---

[1]The Patent Office Rules require that the applicant make a verified showing which will justify advancing prosecution of his application.

[2]There can be no question that petitioner has the right to maintain its action for avoidance ab initio of the license agreement and its defense of unclean hands. The Appellate Court conceded as much in dismissing the appeal on the merits of petitioner's case as presented in the offer of proof. The controlling authority is *Hartford-Empire Co. v. Shawkee Mfg. Co. et al.*, 163 F. (2d) 474 (C.C.A.-3, 1947); and the rule is further established by the language of this Court in *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. at p. 250, 64 S. Ct. at p. 1003. These and other decisions make it clear that a patent license is no exception to the general rule that one who is harmed by a transaction induced through fraud has the right to be restored, as far as possible, to the status existing previous to the transaction. *Restatement of Contracts*, Sec. 489, Comment *d*, p. 933.

Instead, the Court of Appeals holds that the apparent perjury in the Loughman affidavit must be disregarded in this action because (A-10):

> "It fails to appear, except as a matter of argument,[1] that the affidavit of Loughman had anything to do with the actual procurement of the patent. It went only to the time when the application would be considered."

In discussing the standard of conduct required of an applicant for a patent, this Court, in *Precision Instrument Mfg. Co. v. Automotive M. Machinery Co.*, 324 U.S. 806, 65 S. Ct. 993 (1945) used the following language which is believed to be squarely applicable to the present case (324 U.S. 814-816, 65 S. Ct. 997-998, emphasis supplied):

> "The guiding doctrine in this case is the equitable maxim that 'he who comes into equity must come with clean hands.'
>
> * * *
>
> "This maxim necessarily gives wide range to the equity court's use of discretion in refusing to aid the unclean litigant. * * * Any willful act concerning the cause of action which rightfully can be said to transgress equitable standards of conduct is sufficient cause for the invocation of the maxim by the chancellor.

---

[1] The only conceivable motive for the petition to make special and the Loughman affidavit is that Loughman and Holloway were seeking to impress the Examiner with the commercial importance of the socket. In any event, in holding that the influence of the Loughman affidavit on allowance of the Holloway application is a "matter of argument", the Appellate Court leaves open the distinct possibility that the affidavit *did* influence the allowance. In *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 64 S. Ct. 997 (1944), this Court stated that Hartford was not in a position to dispute the effectiveness of the trade magazine article which it filed in the Patent Office with deceptive intent. (322 U.S. at p. 247)

"Moreover, where a suit in equity concerns the public interest as well as the private interests of the litigants this doctrine assumes even wider and more significant proportions. * * * The determination of when the maxim should be applied to bar this type of suit thus becomes of vital significance. [Citing authority]

"In the instant case Automotive has sought to enforce several patents and related contracts. Clearly these are matters concerning far more than the interests of the adverse parties. The possession and assertion of patent rights are 'issues of great moment to the public.'

* * *

*"The far reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope."*

This Court's opinion in *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240, 54 S. Ct. 146 also indicates an intent to hold a patentee to a very high standard of integrity in all dealings relating to his patent. In *Mercoid Corporation v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665, 64 S. Ct. 268, 271, this Court emphasized that: "It is the public interest which is dominant in the patent system."

Thus in the *Precision Instrument* and *Keystone Driller* cases this Court has implied that a patent, because of its far-reaching effects upon the public, must be free from any taint of fraud in order to be enforceable. In the present case the Court of Appeals for the Seventh Circuit has squarely held that fraud in the prosecution of a patent is immaterial unless it directly and positively

influenced the allowance of the patent, the mere possibility of such influence being immaterial.

The question presented by this unresolved conflict of views is one of paramount importance. If the view of the Court of Appeals herein is permitted to stand as the applicable law, it is submitted that it will undermine the doctrines of the *Precision Instrument* and *Keystone Driller* cases and encourage desperate applicants in doubtful patent cases to resort to every shady device that the ingenuity of dishonest men can devise, taking care only to see to it that their chicanery cannot be said to have a clear and direct influence upon the allowance of their patents. The decision of the Court of Appeals will bind the hands of the public against the very malefactors whose unscrupulous conduct is most in need of curbing.

The question here presented cries for a definitive pronouncement from this Court to the effect that the public's interest "in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct" must and shall be protected.

## II. The Decision of the Court of Appeals on the Issue of Fraud in the Procurement of the Holloway Patent Calls for the Exercise of This Court's Supervisory Power.

Westinghouse drawing No. 5-C-3580, referred to in the offer of proof, was completed on "7/18/47" and was approved on "8/5/47". That drawing shows the socket of the Holloway patent in every essential detail, and fully responds to every claim of the patent.

The earliest Holloway or Holwin drawing of the patented socket of which petitioner has knowledge is dated August 9, 1947, three weeks after the Westinghouse drawing was completed and four days after it was approved by Westinghouse.

Petitioner has proved by depositions that the socket design shown in the Westinghouse drawing did not originate with Holloway or Holwin (73a), but was derived by Westinghouse from other sources.[1] Petitioner's offer of proof further shows that Holloway and/or respondent were engaged in negotiations with Westinghouse, prior to August 9, 1947, during which access was had to the Westinghouse drawing. (74a-75a)

The only missing link in petitioner's chain of proof of the Holloway fraud is the first Holloway drawing of the patented socket. If that drawing bears a date earlier than "7/18/47", Holloway can be said to have made the oath to his application in good faith; if the date is August 9, 1947, as petitioner is informed, then the oath was prima facie fraudulent.

When petitioner sought this missing information by means of the usual discovery proceedings, respondent flatly refused to supply it on grounds amounting to no more than that it was immaterial.[2] The District Court

---

[1]The Court of Appeals has taken these depositions for something unrelated to their real purpose, saying that the sockets disclosed in them "are not sufficiently similar to the patented socket to make failure to disclose them to the Patent Office amount to fraud or have the appearance of fraud."

[2]Specifically respondent objected that the questions constituted an attack on the validity of the Holloway patent, and the District Court agreed with this contention. Petitioner has repeatedly conceded that validity of the patent is not and cannot be in issue in this action. Its *enforceability* is, however, in question.

Note:

Large print found on card 6
appears at this point.

not only sustained respondent's objection but penalized petitioner by an assessment of attorney's fees. (48a) The Court of Appeals sustained the District Court in this, saying (A-12):

> "* * * the evidence which was excluded appeared to bear much more strongly on the invalidity of the patent than it did on any possible fraud in the procurement of the patent. Without clear understanding of counsel's purpose and position the court undoubtedly had reason to be perplexed by the insistent conduct of counsel in the discovery proceedings contrary to the court's repeated[1] rulings and to feel that the imposition of attorney's fees and expenses was justified and necessary in order to uphold the authority and dignity of the court."

This extraordinary statement, it is submitted, strikes deeply at the concept of justice under the law. If a court cannot understand what counsel is driving at, is his client therefore in the wrong? Is a court justified in penalizing counsel for a bona fide assertion of a right, solely because the court lacks "a clear understanding of counsel's purpose and position?" If only to answer these fundamental questions, certiorari would be warranted in this case.

But aside from this apparent holding that lack of understanding justifies error, the Court of Appeals has placed petitioner in a most extraordinary position. In a matter which this Court has repeatedly characterized as highly charged with the public interest, where there is good reason to believe that a material fraud has been perpetrated upon a public tribunal, the Court below has denied to petitioner the right to gain access to evidence which would apparently prove the existence of that fraud.

---

[1]There had been only one ruling, striking certain interrogatories that the respondent had previously been ordered to answer, with no reason given for the trial court's reversal of itself. (48a)

Its reason for thus shackling petitioner is that such evidence might also go to the supposed invalidity of the patent—an issue which is irrelevant to this case and which petitioner has conceded cannot be litigated in this case. And then, having thus refused petitioner the right to make its proof, the Court below has delivered the final blow by holding that (A-11):

> "Appellant's defense to Holwin's counterclaim for royalties that Holwin cannot succeed because it comes into court with unclean hands by reason of misrepresentation and fraud before the Patent Office must fail for want of proof * * *."

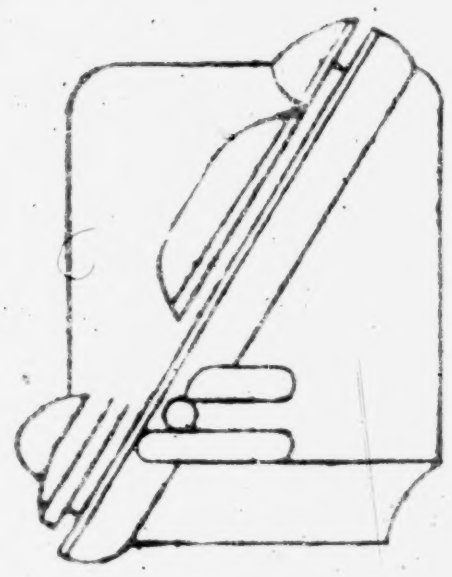
Thus the Court below has denied to petitioner the right to prove its case, for the reason that the proof might go beyond what the case requires, and has then dismissed petitioner's case for failure of proof!

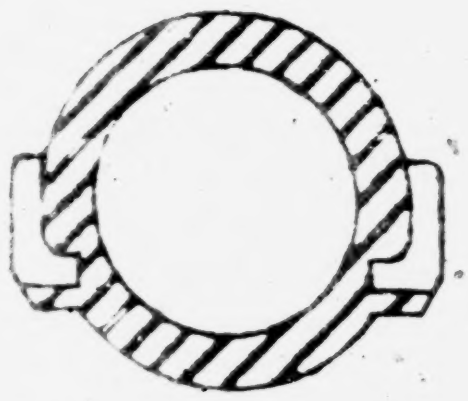
It is submitted that this extraordinary holding cries for the exercise of this Court's supervisory power to correct a manifest injustice in a matter heavily charged with the public interest.

## III. The Appellate Court Has Decided the Issue of File Wrapper Estoppel in a Way Which Conflicts with the Decisions of This Court and of Other Courts of Appeals.

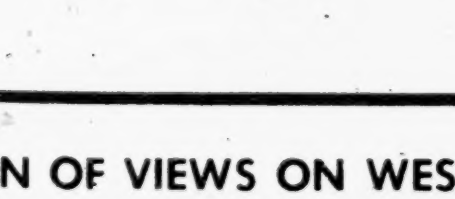
It is appreciated that counsel who have litigated a hard fought case, living long and closely with it, cannot enjoy that perspective and objectivity which enables them to see some other view of the facts than that which they entertain. It is also appreciated that an appeal to this Court to exercise its power of supervision is all too often the stratagem of a litigant who is striving to categorize the twilight grays of his case as all pure white or all jet black.

WESTINGHOUSE DRAWING





CROSS-SECTION THROUGH SOCKET



CROSS-SECTION THROUGH SOCKET

HOLLOWAY PATENT DRAWING

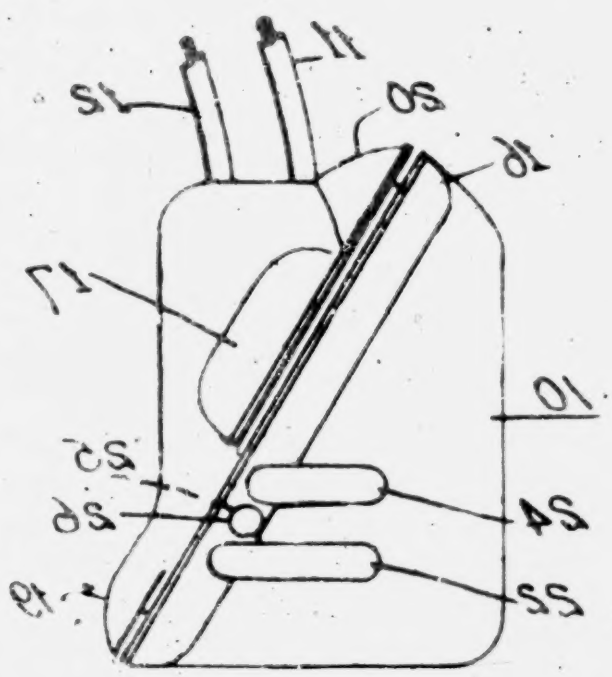


FIGURE 5 OF PATENT
REVERSED LEFT TO RIGHT Fig 2.

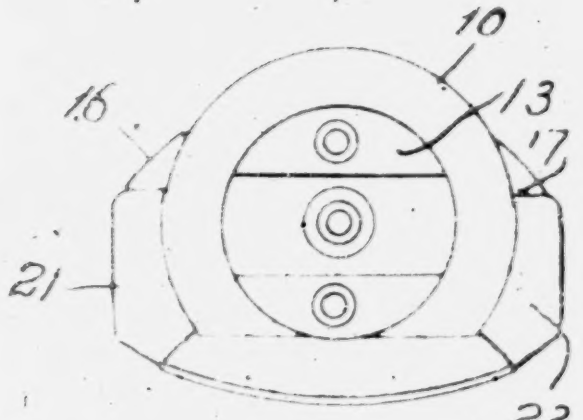


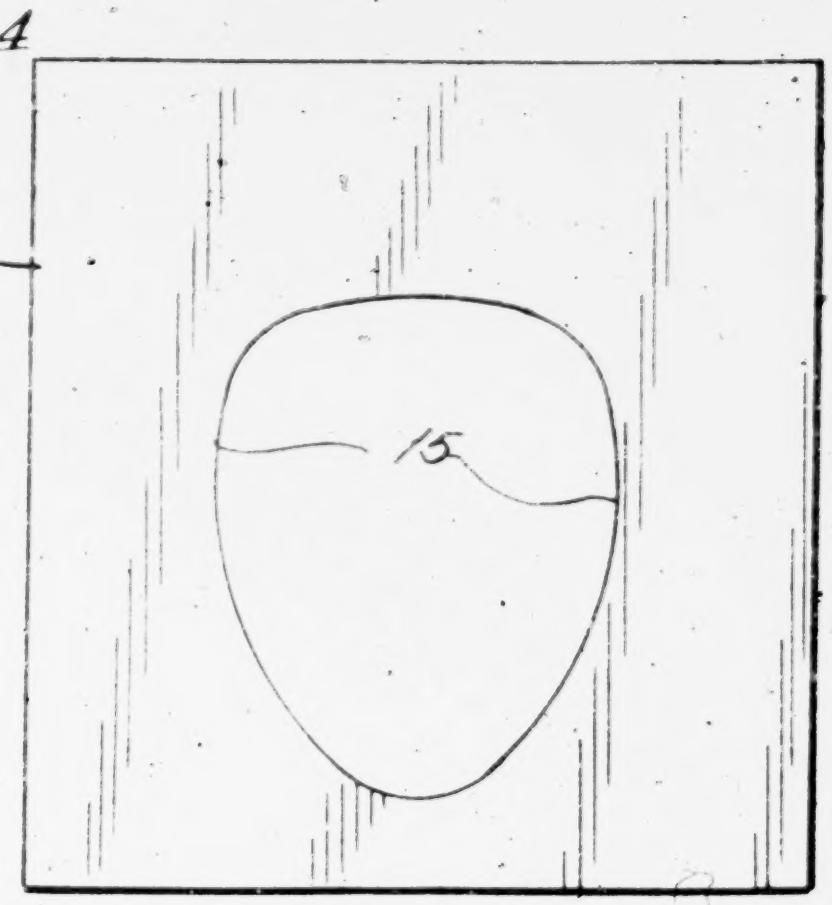

Fig 7.

LOOKING AT OPEN END OF SOCKET

Fig 7.

LOOKING AT OPEN END OF SOCKET

Fig 4




COMPARISON OF VIEWS ON WESTINGHOUSE DRAWING NO. 5-C-3580 WITH CORRESPONDING VIEWS OF HOLLOWAY PATENT DRAWING. DIMENSION LINES AND NUMERALS BLOCKED OUT ON WESTINGHOUSE DRAWING, AND STIPPLING AND SHADING ERASED FROM PATENT DRAWINGS TO FACILITATE COMPARISON OF SOCKET FORMS.

With this in mind, the decisions that have been made by the courts below in the present case have been examined and re-examined in an earnest effort to view them with objective detachment and to find in them some basis in law and logic. But the most diligent attempts to see the other side of the picture have invariably led to the conclusion that there has been here a grave miscarriage of justice.

It is precisely because the facts in this case on the issue of file wrapper estoppel are so simple and ordinary that the exercise of this Court's power of supervision is believed to be warranted. There is no complex blending of blacks and whites to create a twilight gray. The courts below have been confronted with clear and uncomplicated facts to which a simple and well established rule applies.

The courts below have concurred in their findings that petitioner's contemporary socket has only two continuous flanges extending around its body. (Finding No. 11, 84a; A-7) They have agreed that no claim of the patent is readable in terms upon the contemporary socket. It is undisputed that Holloway cancelled from his patent application a claim that was clearly readable upon petitioner's contemporary socket, in response to a Patent Office rejection on prior art. (Finding No. 17, 85a) Nevertheless, the Appellate Court applied the doctrine of equivalents to nullify the specific limitation in the patent claims calling for "a plurality of shorter flanges", and held that the principle of file wrapper estoppel was inapplicable, thus contravening the rule followed by this Court for more than 75 years, since *Leggett v. Avery*, 101 U.S. 256, 25 L. Ed. 865, and *Goodyear Dental Vulcanite Co. v. Davis*, 102 U.S. 222, 228, 26 L. Ed. 149, and

reaffirmed in *Exhibit Supply Co. v. Ace Patents Co.*, 315 U.S. 126, 136-137, 62 S. Ct. 513, 518-519 (1942):

When the application for the Holloway patent was originally submitted to the Patent Office it contained four claims. Original claim 4 may be compared with claim 3 of the patent:

| CANCELLED CLAIM 4 | ALLOWED CLAIM 3 |
|---|---|
| An electric light socket for refrigerator panels comprising | An electric light socket for refrigerator panels comprising |
| an outer housing having a hollow interior with an opening adapted to receive an electric light bulb, | an outer flexible housing having a hollow interior with a front opening adapted to receive an electric light bulb, |
| means for connecting said socket to a suitable source of electrical supply, | means for connecting said socket to a suitable source of electrical supply, |
| *a plurality of oppositely disposed flanges spaced slightly from each other on the outer surface of said rubber housing,* | *a continuous flange* extending around the outside of said housing to form a non-circular shape, |
| | *a plurality of shorter flanges* extending *partially* around the outside of said housing and *spaced slightly from* said continuous flange on a corresponding line, |

said socket adapted to be installed in an opening in a refrigerator panel so that said flanges grip the edges of the opening and hold the edges in the space between said oppositely disposed flanges, so that said socket may not be accidentally turned or removed.

said socket adapted to be installed without the use of tools in a single non-circular opening in a refrigerator panel corresponding in shape to the shape of said housing between said flanges, so that said flanges grip the edges of the opening and hold the edges in the space between said continuous flange and said shorter flanges, so that said socket may not be accidentally turned and said continuous flange contacts the face of the refrigerator panel around the entire circumference of the opening to provide a moisture proof seal around said opening.

It is undisputed that the phrase "a plurality of oppositely disposed flanges" in original claim 4 would cover two continuous flanges; hence that claim was unquestionably readable upon petitioner's contemporary socket. The District Court expressly found so, and the Court of Appeals did not set aside that finding. (Finding 17, 85a)

Original claim 4, along with original claims 2 and 3, was rejected by the Patent Office examiner, "as finding the full equivalent in each of Welch and Langdon, wherein the spaced flanges function just as do the plurality of flanges in the instant case." (100a) The rejection was thus based on the ground that a pair of continuous flanges,

like those on petitioner's contemporary socket, were unpatentable over the prior art. In response to this rejection Holloway cancelled claim 4. (101a)

Holloway never again submitted a claim readable upon petitioner's contemporary socket. Every claim in the patent as issued is specifically limited to a socket having one continuous flange and a plurality of shorter flanges. (108a-109a)

These are the simple facts upon which the defense of file wrapper estoppel is predicated. To these facts the court below should have applied the common and oft-stated rule that a patentee is estopped to assert for the claims of his patent a scope equivalent to that of a broader claim which he cancelled in response to a Patent Office rejection. This Court has stated this rule, inter alia, in:

*Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U.S. 211, 61 S. Ct. 235

*Exhibit Supply Co. v. Ace Patents Co.*, 315 U.S. 126, 62 S. Ct. 513

The Court of Appeals for the Seventh Circuit has also followed this rule in previous cases; and has gone on to hold, following this Court's decision in the *Exhibit Supply Co.* case, that the doctrine of file wrapper estoppel, when applicable, supersedes that of equivalents:

*Union Carbide & Carbon Co. v. Graver Tank & Mfg. Co.*, 196 F. (2d) 103, 107 (C.A.-7, 1952)

*Lewis v. Avco Mfg. Corp.*, 228 F. (2d) 919, 923 (C.A.-7, 1956)

What makes this case so unusual on the issue of file wrapper estoppel is that the Court of Appeals based its affirmance of the District Court upon an obscure and

inapplicable exception to the general rule of file wrapper estoppel, applicable only to a very special state of facts which could not possibly be found in this case. The opinion of the Court of Appeals says (A-9):

> "The applicable rule is stated in 69 C.J.S., Patents, Sec. 212, p. 725, as follows: 'The voluntary cancellation of a claim in an application for a patent does not create an estoppel, affecting the construction or scope of other claims as allowed.'"

Reference to the cases cited by Corpus Juris Secundum in support of the rule relied upon by the Court of Appeals will show that claim 4 was not cancelled "voluntarily", as the term is used in the rule, because it was cancelled in response to a rejection on prior art. Only two cases are cited in the footnote to the sentence quoted by the Court. The first, *Veneer Mach. Co. v. Grand Rapids Chair Co.*, 227 Fed. 419 (C.C.A.-6, 1915), states the rule at p. 427 but sets forth no facts to show what it means or how it is applied. The second, *Musher Foundation v. Alba Trading Co.*, 150 F. (2d) 885 (C.C.A.-2, 1945; cert. den. 326 U.S. 770, 66 S. Ct. 175) contains an extensive discussion which emphasizes that the rule relied upon by the Court of Appeals is a distinctive exception to the general principle of file wrapper estoppel and is applicable only when the patentee has cancelled a claim *after it has been allowed by the Patent Office.* The following from the *Musher Foundation* case (150 F. (2d) at 888, emphasis supplied) shows that the rule referred to in C.J.S. has no bearing upon this case:

> "* * * These claims were not cancelled to escape rejection upon a reference from the prior art cited by the examiner; they were 'voluntarily' withdrawn *after they had been allowed* along with the claims in suit. * * * It is of course a well-settled exception to the doctrine of equivalents that, when an examiner

> rejects a claim upon the prior art and the applicant withdraws it, the disclosure pro tanto passes into the public domain. The applicant may not by resort to the doctrine of equivalent interpret any claim which he succeeds in getting allowed, so that it will cover the contents of the rejected claim without some limitation. [Citing authorities] * * * When an applicant cancels a claim which has already been allowed, none of this reasoning applies, and at best it becomes an open question which must be proved, whether he intends to surrender the disclosure in such sense that he abandons any equivalents of the elements of those claims which he keeps."

It is submitted that by having recourse to a rule that is clearly inapplicable to the simple facts in this case the Court of Appeals for the Seventh Circuit has not only decided this case in a way which conflicts with the applicable decisions of this Court and the several Courts of Appeals (including that for the Seventh Circuit) but has so far departed from the accepted and usual course of judicial proceedings as to call for the exercise of this Court's power of supervision.

## CONCLUSION

The Court of Appeals has held in this case that a fraud practiced upon the Patent Office does not render a patent unenforceable unless such fraud directly and proximately brought about the allowance of the patent. The question presented by that holding has never been passed upon by this Court, although this Court has indicated that any taint of fraud in the prosecution of a patent must render the patent unenforceable. Urgent considerations of public policy require this Court's definitive ruling upon the question.

Nor has this Court passed upon the question of whether a licensee may present evidence of fraud in the procurement of the licensed patent, as an "unclean hands" defense to a suit for royalties under the license, where the incidental effect of such evidence of fraud is to establish the invalidity of the patent. Again, urgent considerations of public policy require this Court's ruling upon the question, and the facts of this case by which that question is raised call for the exercise of this Court's power of supervision.

Finally, the Appellate Court has decided the issue of file wrapper estoppel in a way which is in direct conflict with applicable decisions of this Court and other Courts of Appeals.

For the reasons set forth, the petition for certiorari should be granted.

*Respectfully submitted,*

IRA MILTON JONES
JAMES R. CUSTIN
110 East Wisconsin Avenue,
Milwaukee 2, Wisconsin,
*Counsel for Petitioner*

# APPENDIX TO PETITION FOR CERTIORARI

---

# OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

OPINION OF THE

# United States Court of Appeals

## For the Seventh Circuit

No. 11906 SEPTEMBER TERM, 1956, JANUARY SESSION 1957

UNILECTRIC, INC., by change of name from UNITED MFG. AND SERVICE CO., *Plaintiff-Appellant*,

v.

HOLWIN CORPORATION, *Defendant-Appellee*.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

April 18, 1957

Before FINNEGAN and LINDLEY, *Circuit Judges*, and WHAM, *District Judge*.

WHAM, *District Judge*. On February 1, 1949 United States Patent No. 2,460,636 for an electric light socket for refrigerator panels which is self-sealing upon installation was issued by the United States Patent Office to Charles M. Holloway, president of the defendant-appellee, Holwin Corporation, hereinafter referred to as "Holwin", to which corporation he assigned the patent. Plaintiff-appellant, United Mfg. and Service Co., now, by change of name, Unilectric, Inc., hereinafter referred to as "United", was a manufacturer of a self-sealing refrigerator light socket similar to the patented socket which Holwin claimed to be an infringement of the patented socket. To settle the controversy on July 20, 1949, United entered into a written, non-exclusive license agreement with Holwin by

the terms of which United for a consideration of $500.00 paid to Holwin was given the right to manufacture and sell to a single customer, namely Seeger Refrigerator Co. of Evansville, Indiana, self-sealing electric light sockets within the scope of the Holloway patent on a royalty basis of one cent per socket. The agreement recited that Holwin was the sole and lawful owner of the patent in question. Holwin reserved the right to make, use and sell and to license others to make, use and sell electric light sockets made in accordance with the patent. The license agreement further provided that the royalties should be paid quarterly and that plaintiff should keep books on the manufacture and sale of such sockets and make the books available to defendant and its representatives.

Under said license agreement plaintiff manufactured, sold to Seeger Refrigerator Co., and paid royalties to defendant on a large number of such self-sealing light sockets, admittedly made in accordance with the patent, up to and including September 16, 1949. In the meantime it devised a self-sealing socket which it referred to as its "contemporary socket" and which it contended was, as constructed, outside the patent and the license agreement. On September 16, 1949 United ceased making and selling the socket it had manufactured and sold prior to that date and thereafter exclusively manufactured and sold its so-called contemporary socket to Seeger Refrigerator Co. United refused to pay royalties upon the contemporary sockets manufactured and sold to Seeger Refrigerator Co. subsequent to September 16, 1949, claiming that such sockets were not made in accordance with the patent and were not covered by the license agreement.

Thereupon Holwin protested to plaintiff and wrote plaintiff's customer, Seeger Refrigerator Co., and Seeger's customer, Sears, Roebuck & Co., informing each of the license agreement with United, that royalties had not been paid by United on the sockets manufactured and sold after September 16, that such sockets infringed the Holloway patent, and expressed the hope that such infringements would cease. To Sears, Roebuck & Co. the letter by Holwin's counsel stated, "Otherwise, we shall be forced to file suit for patent infringement seeking an injunction and profits and damages arising from such infringement after the date of this letter."

Plaintiff, on December 16, 1949, commenced this action, praying for a declaratory judgment that its contemporary sockets do not infringe but are outside the scope of the Holloway patent, that each and every claim of the patent is invalid and void, and seeking damages, costs, expenses and attorney's fee. Before answer filed plaintiff amended its complaint alleging further that defendant Holwin had procured the license agreement from plaintiff by fraud in that Holwin then knew that the patent was invalid and void, that Holloway had procured the patent from the United States Patent Office by misrepresentation and fraud in that he knew he was not the inventor of the subject matter of the patent and that the socket claimed had been invented by a person other than himself and had been in public use and on sale in the United States for more than one year prior to the date of Holloway's application for the patent; also that the affidavit of S. R. Loughman, secretary-treasurer of Holwin, filed in the Patent Office to make special the prosecution of the application for Letters Patent contained false and misleading statements which were willfully and deliberately contrived and intended to deceive the Commissioner of Patents into believing that Holwin was not then in production of sockets of the type covered by the application which was not true. Plaintiff prayed for a decree holding the license agreement void *ab initio* by reason of fraud and for recovery of the royalties paid thereunder with damages for cost of designing and tooling for production of its contemporary sockets.

Defendant in its answer to the amended complaint denied that plaintiff's contemporary sockets were outside the scope of the Holloway patent and of the license agreement; denied that the claims of the patent were invalid and void and denied all allegations of fraud on its part before the Patent Office and in the procurement of the license agreement. With its answer Holwin filed its counterclaim for judgment under the license agreement for unpaid royalties on all sockets manufactured by United subsequent to September 16, 1949 to date of judgment and for mandatory order of injunction requiring payment of such royalties in the future; also for damages, accounting and attorney's fees.

Plaintiff moved to dismiss the counterclaim on the ground that Holwin had repudiated and terminated the license agreement by the above-mentioned letters to plaintiff's customer, Seeger Refrigerator Co., and to Sears, Roebuck & Co. charging infringement and threatening suit for infringement and damages. The district court granted the motion, dismissed the counterclaim and defendant Holwin appealed. After hearing, this court reversed the order dismissing the counterclaim and, in effect, reinstated the counterclaim holding that the license agreement was not terminated by said letters from Holwin to Seeger and Sears but continued to be valid and in effect; also that the plaintiff as a licensee could not lawfully be heard to deny the validity of the patent. *United Mfg. & Service Co. v. Holwin Corp.*, 187 F. 2d 902. See also *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*, 339 U.S. 827; *United States v. Harvey Steel Co.*, 196 U.S. 310.

Plaintiff thereupon filed its reply to the counterclaim admitting it had paid no royalties under the license agreement on sockets manufactured after September 16, 1949 but alleging that since that date it had manufactured and sold only its contemporary socket which did not infringe and had made no sockets which did infringe the patent or fall within the scope of the license agreement; also alleging that the license agreement was void *ab initio* by reason of fraud used in the procurement of the patent and fraud in the inducement of the license agreement as alleged in the amendment to the complaint. At the trial counsel for defendant announced that defendant would rely on Claim 3 only of the patent.

The ultimate issues before the district court were: (1) Did plaintiff's contemporary sockets which it manufactured and sold after September 16, 1949 fall within the license agreement by infringing Claim 3 of the patent? (2) Was the patent void *ab initio* by reason of fraud before the Patent Office in its procurement, and, if so, was the license agreement likewise void and unenforceable by reason of such fraud? (3) What should be the scope of the order to be entered?

The district court had before it the opinion of the United States Court of Appeals for the Seventh Circuit to the effect that the license agreement continued in effect after Holwin's letters to Seeger and Sears; also stating the principles that

as long as the license agreement continues in effect the licensee is estopped to deny the validity of the patent and the licensor cannot sue for infringement but is limited to enforcement of his rights and remedies under the license agreement. *United Mfg. & Service Co.* v. *Holwin Corp., supra*, citing *Harshberger* v. *Tarrson, et al.*, 7 Cir., 184 F. 2d 628, 629.

In the trial the district court attempted to hold plaintiff to the rule in producing its evidence that as a licensee it could not attack the validity of the patent. The court admitted evidence, however, offered to show that the claims of the patent were limited in scope by prior art and by the file wrapper history of the patent. The district court refused to permit certain discovery procedure and refused to admit certain depositions and exhibits offered by plaintiff for the stated purpose of showing fraud in the procurement of the patent by showing the state of prior art known to defendant for more than a year prior to the date of the application, holding that such evidence constituted nothing more than a further attack upon the validity of the patent and for that reason was improper and inadmissible. . . . . .

At the conclusion of the trial the court sustained all objections to evidence not theretofore ruled upon, dismissed the complaint as amended and awarded Holwin a judgment on its counterclaim for unpaid royalties on the contemporary socket manufactured by plaintiff after September 16, 1949, plus a mandatory injunction order for payment of future royalties; referred the cause to a special master in chancery for an accounting and determination of the amount of the judgment and interest and the damages suffered by defendant by reason of plaintiff's non payment of royalties; and awarded costs and disbursements.

Plaintiff appealed from the judgment and filed a supersedeas bond in the agreed amount of $25,000.00.

Plaintiff-appellant contends that the district court erred: (1) In enjoining plaintiff against future breaches of the provisions of the license agreement and in awarding special damages and an accounting. (2) In failing to find that plaintiff's contemporary socket is outside of the scope of Claim 3 of the Holloway patent and the coverage of

the license agreement. (3) In failing to find that defendant is estopped by the file history of the Holloway patent from asserting for its claims a scope broad enough to read on plaintiff's contemporary socket. (4) In denying the plaintiff the right to prosecute its cause of action for avoidance of the license agreement by showing fraud in the procurement of the patent. (5) In granting attorney's fees to defendant.

More briefly, the defendant-appellee states the contested issues on this appeal as follows: (1) Does appellant's socket in evidence come within the terms of Claim 3 of appellee's patent 2,460,636 and thus within the license agreement between the parties? (2) May appellant, a licensee, attack the validity of appellee's patent on which it is licensed under a claim of fraud?

Considering first No. 1 of appellant's specifications of error we have concluded that the district court erred in awarding defendant mandatory injunction order requiring the licensee to pay subsequent and future royalties and otherwise comply with the terms of the license after the date of the judgment. The suit for royalties under the counterclaim is a suit on a contract. The licensor has an adequate remedy at law for the recovery of any royalties that are due and unpaid and will have such remedy for all royalties that may subsequently become due under the contract. This is not an infringement suit with right to seek an injunction and accounting. Since defendant has an adequate remedy at law, it is not entitled to equitable relief. *Thomas* v. *Council Bluffs Canning Co.*, 92 Fed. 422; *Washburn & Moen Mfg. Co.* v. *Freeman Wire Co.*, 41 Fed. 440; *Babbot* v. *Tewksbury*, 46 Fed. 86; *Mayflower Industries* v. *Thor Corporation*, 182 F. 2d 800; Rule 53(b) and Rule 65(d), F.R.C.P.; *Clark* v. *Lindemann & Hoverson Co.*, 88 F. 2d 59.

United's specification of error No. 2 and appellee's stated issue No. 1 present this question: "Did the district court err in failing to find that plaintiff's contemporary socket is outside the scope of the Holloway patent and the license agreement?" We leave for later consideration United's contention that the file history of the patent estops defendant from rightfully claiming that plaintiff's contemporary sockets read on Claim 3 of the patent.

Claim No. 3 of the patent, being the only claim here in issue is set forth in the margin.[1]

As will be seen, Claim 3 provides for an electric light socket for refrigerator panels having a flexible housing and a groove that can easily be fitted into a non-circular opening in the panel or removed therefrom, without need of a tool, and by means of a continuous flange with plurality of flanges oppositely disposed and spaced from the continuous flange forming the groove and holding the socket in position in the non-circular opening and forming a moisture proof seal.

The socket manufactured by United under the license from Holwin had a continuous flange opposed by a plurality of flanges as described in Claim 3 of the patent and was admittedly infringing. United manufactured and sold its said infringing socket and paid royalties thereon under the license until September 16, 1949 when it ceased manufacturing this admittedly infringing socket and began manufacturing and selling its contemporary socket which it claimed did not infringe and refused to pay further royalties.

The difference between the patented socket and plaintiff's contemporary socket is that the latter has two continuous, uninterrupted flanges spaced apart, oppositely disposed and forming a groove which flanges grip the edges of the non-circular opening in the refrigerator panel forming a moisture proof seal instead of one continuous flange with oppositely disposed plurality of flanges performing the same function.

The credible testimony of expert witnesses and a study of the two sockets show that the simple substitution in the

[1] "An electric light socket for refrigerator panels comprising an outer flexible housing having a hollow interior with a front opening adapted to receive an electric light bulb, means for connecting said socket to a suitable source of electrical supply, a continuous flange extending around the outside of said housing to form a non-circular shape, a plurality of shorter flanges extending partially around the side of said housing and spaced slightly from said continuous flange on a corresponding line, said socket adapted to be installed without the use of tools in a single non-circular opening in a refrigerator panel corresponding in shape to the shape of said housing between said flanges, so that flanges grip the edges of the opening and hold the edges in the space between said continuous flange and said shorter flanges, so that said socket may not be accidentally turned and said continuous flange contacts the face of the refrigerator panel around the entire circumference of the opening to provide a moisture proof seal around said opening."

contemporary socket of one continuous flange oppositely disposed to the continuous flange as shown in the patent, in lieu of a plurality of oppositely disposed flanges as called for in Claim 3, falls clearly within the scope of Claim 3 under the doctrine of equivalents and fails to avoid infringement of Claim 3. *Mid-Continent Inv. Co.* v. *Mercoid Corporation*, 7 Cir., 133 F. 2d 803, 807; *Sutherland Paper Co.* v. *Auburn Carton Corporation*, 7 Cir., 118 F. 2d 862, 864. The second continuous flange oppositely disposed to the first continuous flange performs precisely the same function in the same way as the oppositely disposed plurality of flanges in the socket of the Holloway patent. There is no difference in their operation or in the results they accomplish. The district court found: "Plaintiff's contemporary socket is the equivalent in construction, function, operation and result of plaintiff's socket * * *." This finding is adequately supported by the evidence and the district court did not err in finding, passing for the moment the effect, if any, of prior art, that the contemporary socket is within the scope of the Holloway patent.

The court admitted evidence of the state of the prior art at the time the application for the patent was filed by Holloway to determine whether the scope of the patent was limited thereby in any way pertinent to this lawsuit. Upon consideration of this evidence the court made its finding as follows: "During the trial of this action plaintiff introduced evidence of prior art which was considered solely on the question of limiting the claims of the defendant's patent aforesaid. Consideration of the prior art did not indicate that defendant's claims were so limited as to exclude the contemporary socket of plaintiff."

Upon examination of the same evidence we are of opinion that the district court was correct in this finding. The disclosures of the prior art failed to anticipate the practical and successful Holloway socket covered by the patent which provides a flexible body with a groove and flanges that may easily be inserted or removed from the non-circular opening in the panel without tools and when inserted cannot be turned in the panel and at the same time forms a moisture proof seal. Its commercial success as shown by the evidence and the facts that United's sockets are imitative are excellent proofs of its useful

advance in the art and its patentable novelty. *Ric-Wil Co.* v. *E. B. Kaiser Co.*, 7 Cir., 179 F. 2d 401, 404; *Sandy MacGregor Co.* v. *Vaco Grip Co.*, 6 Cir., 2 F. 2d 655, 656; *Charles Peckat Mfg. Co.* v. *Jacobs*, 7 Cir., 178 F. 2d 794, 801.

An examination of cancelled Claim 4 shows that it was general in character and from all that appears it was cancelled voluntarily for the reason that it added nothing of value to the other claims. We see nothing in the file history of the Holloway patent that either compelled the cancellation of Claim 4 to avoid prior art or estops defendant from claiming its right to a reasonable range of equivalents under Claim 3. The applicable rule is stated in 69 C.J.S., Patents, Sec. 212, p. 725, as follows: "The voluntary cancellation of a claim in an application for a patent does not create an estoppel, affecting the construction or scope of other claims as allowed." The district court adopted as a conclusion of law: "There is no file wrapper estoppel limiting the scope of Claim #3 of defendant's patent aforesaid." We agree with the conclusion of the district court.

The next issue is whether a licensee may resist a suit for royalties under a license agreement on the ground that the patent was void *ab initio* and unenforceable by reason of fraud in the procurement of the patent and, if so, is fraud in the procurement of the patent shown either by the evidence admitted or that excluded by the trial court. Was United deprived of a right to show fraud by the court's denial of discovery?

Assuming for the purpose of this case, on the authority of *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U.S. 238, though in that case there was clear and deliberate fraud upon the court as well as upon the Patent Office, that such a defense may be open to a licensee if willful fraud in procurement be clearly proven, we have examined the record to ascertain whether the evidence admitted by the trial court or that tendered by the plaintiff but excluded was such as to show fraud in the procurement of the patent. Such examination discloses nothing in the admitted evidence that tends to show fraud in procurement. The offer of proof rejected by the trial court (consisting of the excluded Warren depositions and offer of proof) had to do with the state of the prior art

allegedly known to Holloway before he filed the application for the patent and to S. R. Loughman who filed the affidavit to make the application special. The excluded evidence might well have been considered admissible had invalidity been in issue. But it was not and for that reason the depositions were inadmissible unless they also showed fraud in procurement. *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc., supra*; *United Mfg. & Service Co. v. Holwin Corp., supra.*

The above conclusion appellant does not dispute but it earnestly contends that the depositions and other excluded evidence do show fraud in the procurement of the patent and for that reason the trial court erred by excluding them from the evidence. With this contention we do not agree. The depositions relate to several socket devices some of which are of long years standing, experimental in nature and never put into production. Those shown to have been put into production of which there is evidence that Holloway had knowledge before he filed his application for the patent in suit or of which there is evidence that S. R. Loughman, secretary-treasurer of Holwin, had knowledge before he filed the affidavit in support of the petition to make special the Holloway application, are not sufficiently similar to the patented socket to make failure to disclose them to the Patent Office amount to fraud or to have the appearance of fraud. We conclude that the excluded depositions, the offer of proof and efforts toward discovery failed to show fraud in the procurement of the patent on the part of either Holloway or Loughman. Had the district court admitted the depositions and all other excluded evidence the proof would have been insufficient, as a matter of law, to sustain a finding that fraud was exercised by either Holloway or Loughman in the procurement of the patent. All such proof had the appearance of attacking the validity of the patent and thus was not permissible. It fails to appear, except as a matter of argument, that the affidavit of Loughman had anything to do with the actual procurement of the patent. It went only to the time when the application would be considered.

Plaintiff appellant, in its brief says: "Happily, decisions on the question here involved (effect of fraud in procurement on rights of licensee) are rare. * * *" That

is quite true and the decisions appellant cites are distinguishable by their facts from the case before the court. Illustrative is the *Hazel-Atlas* case upon which appellant so strongly relies. That case involved a false affidavit obtained by bribery clearly proven which affected both the procurment of the patent and also the judgment of the United States Court of Appeals before its falseness was discovered. In *Katzinger* v. *Chicago Metallic Mfg. Co.*, 329 U.S. 394, the license agreement obliged the licensee to sell at prices fixed by the licensor which provision was illegal and unenforceable unless within the protection of a lawful patent. In such situation the case turned on the proof of fraud in the procurement of the patent and such fraud was clearly proven. See also *MacGregor* v. *Westinghouse Electric & Mfg. Co.*, 329 U.S. 402.

Appellant's defense to Holwin's counterclaim for royalties that Holwin cannot succeed because it comes into court with unclean hands by reason of misrepresentation and fraud before the Patent Office must fail for want of proof as indicated by what has already been said in this opinion.

Counsel for appellant protests vigorously against and seeks reversal of the order entered by the district court assessing attorney's fees and reasonable expenses against appellant in connection with appellant's determined and repeated efforts under the rules for discovery. Appellant says his insistent efforts were for the purpose of securing evidence to prove fraud in the procurement of the patent. Counsel for the appelie insisted that the discovery was directed toward showing the invalidity of the patent which a licensee was not permitted to show. The court said: "The court finds that plaintiff's request for admissions and the questions asked on adverse examination are substantially the same as the interrogatories which this Court previously held need not be answered on the ground that they constituted an attack upon the validity of defendant's patent, in violation of the opinion and mandate of the Court of Appeals herein, and the Court therefore finds that plaintiff's motion to compel answers to such questions should be denied and that said motion was made without substantial justification, * * *." The court then sustained defendant's objections to plaintiff's request for admissions

and denied plaintiff's motion to compel answers to questions asked on adverse examination and ordered the plaintiff and its attorney to pay to the defendant the amount of defendant's reasonable expenses incurred in opposing said motion, including reasonable attorney's fees, the amount thereof to be determined by agreement of the parties or by the court. The record further shows that the amount of such reasonable expenses and attorney's fees was agreed upon between the parties and paid by the plaintiff. In appellant's brief relating to this phase of the case appears the language: "In a final attempt to obtain evidence on the fraud issue and at the same time frankly reveal its hand to defendant, plaintiff filed a series of requests for admissions." It would appear from this language and from all that appears in the record that plaintiff sought to procure the evidence of fraud more or less by indirection so as not to "reveal its hand" and that the court may have had little or no opportunity by guidance of counsel to realize that the evidence was offered for the purpose of proving fraud rather than invalidity. As indicated heretofore in this opinion, the evidence which was excluded appeared to bear much more strongly on the invalidity of the patent than it did on any possible fraud in the procurement of the patent. Without clear understanding of counsel's purpose and position the court undoubtedly had reason to be perplexed by the insistent conduct of counsel in the discovery proceedings contrary to the court's repeated rulings and to feel that the imposition of attorney's fees and expenses was justified and necessary in order to uphold the authority and dignity of the court. We find that under the circumstances of the case this action of the court was not reversible error.

From the foregoing we conclude that the district court did not err in dismissing plaintiff-appellant's complaint as amended and did not err in finding for the defendant-appellee on its counterclaim and in awarding judgment to Holwin with interest and costs.

In those respects the judgment of the district court is affirmed.

In so far as the district court granted Holwin equitable relief including mandatory injunction against United for payments of future royalties and compliance with the

provisions of the license agreement subsequent to the date of the judgment it was in error and must be reversed.

There seems at this time to be no need for a special master or an accounting since finding the amount of royalties due with interest seems to present but a simple factual question. Should difficulty arise and an accounting by a master later appear to be necessary such order may become proper.

The case is affirmed in part and reversed in part as indicated above and remanded to the district court for further proceedings not inconsistent with this opinion.

A true Copy:

Teste:

.....

*Clerk of the United States Court of Appeals for the Seventh Circuit.*

USCA 2872 The Schaffer Pres. Inc., Chicago, Illinois—4-18-57—100